

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 FEA-01 AGRE-00 CEA-01 CIAE-00
COME-00 DODE-00 EB-07 FRB-03 H-01 INR-07 INT-05
L-03 LAB-04 NSAE-00 NSC-05 PA-01 EPG-02 AID-05
SS-15 STR-04 ITC-01 TRSE-00 USIA-06 PRS-01 SP-02
OMB-01 IO-13 /099 W
-----242328Z 029360 /75

P 242057Z MAY 77

FM AMEMBASSY BUENOS AIRES

TO SECSTATE WASHDC PRIORITY 0652

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E.O. 11652: N/A

TAGS: ETRD, OAS, AR

SUBJECT: VII REGULAR SCCN MEETING

REF: BUENOS AIRES 3776

1. MOST NOTABLE RESULT OF MEETING OF SPECIAL COMMITTEE FOR CONSULTATION AND NEGOTIATION, WHICH ENDED IN BUENOS AIRES MAY 23, WAS ADOPTION OF A REPORT ON GSP. THE REPORT COMPRISES U.S. DELEGATION'S COMMENTS ON PROPOSALS BY THE LATIN AMERICAN GROUP FOR TAKING GREATER ADVANTAGE OF U.S. GSP, WHICH PROPOSALS U.S. DEL AGREED TO TRANSMIT TO ITS APPROPRIATE AUTHORITIES. REPORT WAS DEVELOPED IN THE CONTEXT OF CONTRIBUTING TO THE REVIEW OF GSP UNDERWAY WITHIN USG. DISCUSSIONS AND DOCUMENTATION ON GSP FOR THE MOST PART REFLECTED TECHNICAL, AS DISTINCT FROM RHETORICAL CONSIDERATIONS, AND BENEFITED FROM THE QUALITY OF THE PARTICIPATION OF THE DELEGATIONS OF BRAZIL AND MEXICO IN PARTICULAR AND ALSO OF ARGENTINA AND COLOMBIA.

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2. HIGHLIGHTS OF THE LATIN AMERICAN PROPOSALS ARE:

A. ELIGIBLE COUNTRIES: INCLUDE ECUADOR AND VENEZUELA.
U.S. DEL MERELY INDICATED DIFFICULTY OF PREDICTINGR
FATE OF INITIATIVES NOW BEFORE CONGRESS.

B. ELIGIBLE PRODUCTS: U.S. SHOULD EXTEND COVERAGE

OF PRODUCTS OF INTEREST TO LA EACH YEAR, ESPECIALLY OF HIGH TARIFF PRODUCTS; REVOKE EXCLUSION OF SENSITIVE PRODUCTS IN A THRIIGH F OF SECTION 503(C) OF TRADE ACT OF 1974; REPEAL AUTOMATIC WITHDRAWAL FROM GSP OF PRODUCTS SUBJECT TO ESCAPE CLAUSE ACTION WHEN DEVELOPING COUNTRIES ARE NOT THE MAIN SUPPLIERS OF U.S. MARKET; AND ESTABLISH NEW TARIFF SCHEDULE ITEMS ELIGIBLE FOR GSP FOR PRODUCTS OF INTEREST TO LATIN AMERICA WITH PARTICULAR ATTENTION TO HANDICRAFTS. USDEL NOTED THAT NO PRODUCTSARE YET INELIGIBLE BECAUSE OF ESCAPE CLAUSE ACTIONS, AND AGREED TO CONSIDER THE POSSIBILITY OF CREATING NEW TARIFF ITEMS TO EXPAND GSP COVERAGE.

C. COMPETITIVE NEED: ELIMINATE COMPETITIVE NEED LIMITATIONS, BUT IN THE MEANTIME THE COMPETITIVE NEED PROVISION OF THE TRADE ACT BE AMENDED TO REQUIRE THAT THREE CONDITIONS OBTAIN SIMULTANEOUSLY FOR COMPETITIVE NEED TO BE APPLIED: 1. EXPORTS EXCEED THE \$25 MILLION (ADJUSTED) LIMIT; 2. THE COUNTRY SUPPLY OVER 50 PERCENT OF U.S. IMPORTS OF THE PRODUCT IN ANY ONE OF THE FIVE PRECEDING YEARS, AND 3. THE VALUE OF THE EXPORTS OF THE PRODUCT IN QUESTION NOT REPRESENT A HIGH PROPORTION OF THAT COUNTRY'S TOTAL EXPORTS TO THE U.S. UNDER GSP. COMPETITIVE NEED SHOULD NEVERTTTPPLY TO A SOLE SUPPLIER. NOR SHOULD PRODUCTS FROM REGIONAL INTEGRATION SCHEMES HAVE TO MEET MORE DIFFICULT CRITERNA.(U.S. DEL RESPONDED INTER ALIA, BY EXPLAINING RATIONALE FOR COMPETITIVE LIMITED OFFICIAL USE

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NEED LIMITATIONS WND POINTING OUT THAT ITS OPERATION COULD BENEFIT A DEVELOPING COUNTRY TRYING TO PENETRATE A U.S. MARKET IN WHICH ANOTHER DEVELOPING COUNTRY WAS ALREADY COMPETITIVE.

D. RULES OF ORIGIN: CONCEPT OF "SUBSTANTIAL TRANSFORMATION" SHOULD BE DEFINED.

E. PETITIONS TO EXCLUDE PRODUCTS: LATIN AMERICAN DELEGATES PROFESSED GREAT CONCERN OVER THE UNCERTAINTY CREATED BY POSSIBILITY OF REMOVING PRODUCTS FROM ELIGIBLE LIST, AND REQUESTED THAT EXCLUSION REVIEWS BE CONDUCTED ONLY ONCE A YEAR AND THAT EXPORTING COUNTRIES HAVE A CHANCE FOR PRIOR CONSULTATION. U.S. DEL SAID INTERESTED PARTIES COULD NOT BE DENIED RIGHT TO SEEK EXCLUSION OF A PRODUCT, BUT AGREED THAT PRIOR CONSULTATION WOULD BE AVAILABLE.

F. INCLUSION OF NEW PRODUCTS: U.S. DEL SAID USG

CONSIDERING POSSIBLE WAYS OF HANDLING REQUESTS FROM LA COUNTRIES AND WOULD PROBABLY REQUIRE EXPLANATORY INFORMATION FOR EACH PRODUCT REQUESTED.

G. DURATION OF GSP: IT SHOULD BE PERMANENT AS A GENERAL PRINCIPAL OF INTERNATIONAL ECONOMIC RELATIONS.

H. INFORMATION: LA GOVERNMENTS, USG, AND OAS SECRETARIAT SHOULD ALL EXPAND THEIR EFFORTS TO PUBLICIZE GSP POTENTIAL. US DEL AGREED WITH THRUST OF THIS POINT, AND IN PARTICULAR AGREED TO COOPERATE WITH SECRETARIAT.

3. COLOMBIA AND MEXICO PROPOSED THAT FOR PURPOSES OF COMPUTING NATIONAL VALUE ADDED OF PRODUCTS TO BE EXPORTED TO U.S., INDIRECT ADMINISTRATIVE COSTS SHOULD BE INCLUDED AS WELL AS DIRECT COSTS; AND LIMITED OFFICIAL USE

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SECONDLY THAT THE VALUE OF U.S. ORIGIN COMPONENTS OF PRODUCTS EXPORTED TO THE U.S. UNDER GSP BE DISREGARDED WHEN CALCULATING THE VALUE OF THE PRODUCT FOR PURPOSES OF ORIGIN REQUIREMENTS. LA CAUCUS DECLINED TO INCLUDE THESE PROPOSALS IN LA POSITION, THOUGH CHILE MADE A POINT OF DECLARING ITS SUPPORT OF THE SECOND POINT. USDEL SAID IT WOULD WELCOME A WRITTEN ANALYSIS OF THE FIRST POINT. WITH REGARD TO THE SECOND POINT, WHICH RELATES TO TSUS ITEMS 806.30 AND 807.00 ON FOREIGN ASSEMBLY OPERATIONS, USDEL SAID THESE OPERATIONS REALLY DEPEND ON FACTORS OTHER THAN GSP.

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4. RESOLUTION ON ECUADOR-VENEZUELA GSP EXCLUSION, ON WHICH U.S. ABSTAINED, IS STRAIGHTFORWARD. RESOLUTION ON PANAMA CANAL TOLLS, AN ECUADORIAN INITIATIVE SUPPORTED BY BOLIVIA, CHILE AND PERU, AND ON WHICH BOTH U.S. AND TRINIDAD AND TOBAGO ABSTAINED, SUBMITS QUESTION TO FORTHCOMING OAS GENERAL ASSEMBLY AND RECOMMENDS AGAINST ANY FURTHER INCREASES. TWO RESOLUTIONS ON MARITIME FREIGHT RATES AND ON AD HOC GROUP ON MARITIME TRANSPORT PROPOSED BY MEXICO AND ECUADOR ARE TROUBLESOME ONLY IN TERMS OF TRYING TO PROMOTE OVERLY AMBITIOUS PROGRAMS. USDEL WAS ABLE TO DEFUSE THESE PROPOSALS SLIGHTLY, AND WAS JOINED BY BRAZIL IN ITS ABSTENTIONS. ONE OF FINAL ACTS WAS TO ACCEPT INVITATION FROM COSTA RICA TO HOLD NEXT REGULAR MEETING THERE.

5. COMMENT: SERIOUS AND TECHNICAL STANDARDS OF DISCUSSION SET ON FIRST DAY OF MEETING PREVAILED FOR THE MOST PART THROUGHOUT. SEVERAL DELEGATIONS DRAWN FROM LOCAL EMBASSIES ACTED AS LITTLE MORE THAN LIMITED OFFICIAL USE

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OBSERVERS. THOSE WHO CAME FROM CAPITALS WERE PREPARED TO DISCUSS SOME OF THE FINER POINTS OF TRADE QUESTIONS, PARTICULARLY ON GSP. URUGUAY SUCCEEDED IN PRESSING ITS PREOCCUPATION WITH COUNTERVAILING DUTIES INTO BROADLY WORDED RESOLUTION SEEKING DEVELOPING COUNTRY EXEMPTION FROM ANY ACTIONS RESTRICTING TRADE (REFTEL). THE OTHER MAJOR ACCOMPLISHMENT IS THE REPORT ON GSP, INTERESTINGQP NOT IN THE FORM OF A RESOLUTION AND THUS MORE SUSCEPTIBLE OF GENERAL ACCEPTANCE WITHOUT BEING DOGMATIC POSITIONS. UKBS. DELEGATION FELT THAT DISCUSSIONS OF GSP AND RESUGMING REPORT CONSTITUTED GENUINE CONTRIBUTION TO UNDERSTANDING AND UTILIZATION OF GSP. GENERAL ATTITUDE OF OTHER DELEGATIONS, PARTICULARLY THOSE WITH SOME TRADE EXPERTISE, BOTH IN MEETINGS AND INFORMALLY, WAS SIMILAR. THE MOOD OF THE CONFERENCE WAS ONE OF

OBJECTIVE ANALYSIS OF MUTUALLY IMPORTANT SUBJECTS AND
AT THE END OF HAVING ACCOMPLISHED SOMETHING QEEJIL.
CHAPLIN

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